

TOWN OF SEDGEWICK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Sedgewick:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Town of Sedgewick (the Entity), which comprise the consolidated statement of financial position as at December 31, 2019, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Sedgewick as at December 31, 2019, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 6.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

M.D. of Wainwright

April 16, 2020



Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash (Note 2)	2,385,169	3,628,147
Taxes and grants in place of taxes (Note 3)	103,591	99,369
Trade and other receivables	133,716	141,020
Receivable from other governments	400,213	537,972
Inventory held for resale	394,472	170,361
Other financial assets	97,970	86,973
	<u>3,515,131</u>	<u>4,663,842</u>
LIABILITIES		
Accounts payable and accrued liabilities	393,471	313,622
Deposits held in trust	-	10,560
Deferred revenue (Note 4)	721,805	1,955,259
Long term debt (Note 6)	1,458,300	-
	<u>2,573,576</u>	<u>2,279,441</u>
NET FINANCIAL ASSETS	<u>941,555</u>	<u>2,384,401</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	11,307,113	8,297,708
Prepaid expenses	119,679	47,053
	<u>11,426,792</u>	<u>8,344,761</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>12,368,347</u>	<u>10,729,162</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (unaudited)	2019	2018
REVENUE			
Net municipal property taxes (Schedule 3)	814,650	818,565	803,586
User fees and sales of goods	1,262,906	1,204,551	1,222,366
Penalties	24,350	27,386	29,676
Licenses and permits	3,100	9,715	40,958
Fines	500	-	-
Franchise and concession contracts	54,000	53,941	51,781
Investment income	25,000	96,738	87,149
Rentals	6,625	6,742	7,512
Government transfers for operating	57,474	62,679	60,879
Other	36,704	69,245	29,009
	<u>2,285,309</u>	<u>2,349,562</u>	<u>2,332,916</u>
EXPENSES			
Legislative	67,160	54,950	51,532
Administration	360,000	358,700	399,651
Protective services	72,500	56,722	50,822
Transportation	309,060	268,346	259,141
Water supply and distribution	161,310	198,522	136,185
Wastewater treatment and disposal	83,400	48,225	147,027
Waste management	128,200	127,652	129,612
Public health and welfare	11,060	13,290	7,751
Planning and development	197,380	235,524	229,496
Recreation	130,530	123,528	176,835
Culture	20,005	20,148	20,652
Gas system	474,050	376,010	337,937
Amortization	335,049	370,501	310,269
	<u>2,349,704</u>	<u>2,252,118</u>	<u>2,256,910</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	(64,395)	97,444	76,006
OTHER			
Government transfers for capital (Schedule 4)	1,941,540	1,541,741	450,196
EXCESS OF REVENUE OVER EXPENSES	1,877,145	1,639,185	526,202
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>10,729,162</u>	<u>10,729,162</u>	<u>10,202,960</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>12,606,307</u></u>	<u><u>12,368,347</u></u>	<u><u>10,729,162</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	<u>1,877,145</u>	<u>1,639,185</u>	<u>526,202</u>
Acquisition of tangible capital assets	(4,017,000)	(3,379,906)	(1,887,859)
Amortization of tangible capital assets	<u>335,049</u>	<u>370,501</u>	<u>310,269</u>
	<u>(3,681,951)</u>	<u>(3,009,405)</u>	<u>(1,577,590)</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>(72,626)</u>	<u>(1,401)</u>
INCREASE IN NET FINANCIAL ASSETS	<u>(1,804,806)</u>	<u>(1,442,846)</u>	<u>(1,052,789)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,384,401</u>	<u>2,384,401</u>	<u>3,437,190</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>579,595</u></u>	<u><u>941,555</u></u>	<u><u>2,384,401</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,639,185	526,202
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	370,501	310,269
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(4,222)	9,817
Decrease (increase) in trade and other receivables	7,304	32,413
Decrease (increase) in inventory held for resale	(224,111)	(6,681)
Decrease (increase) in trade and other receivables	137,759	168,220
Decrease (increase) in prepaid expenses	(72,626)	(1,401)
Decrease (increase) in other financial assets	(10,997)	(9,076)
Increase (decrease) in accounts payable and accrued liabilities	79,849	173,769
Increase (decrease) in deposits held in trust	(10,560)	(100,000)
Increase (decrease) in deferred revenue	(1,233,454)	(84,590)
	678,628	1,018,942
CAPITAL		
Acquisition of tangible capital assets	(3,379,906)	(1,887,859)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	1,081,507	(6,784)
FINANCING		
Long-term debt issued	1,500,000	-
Long-term debt repaid	(41,700)	-
	1,458,300	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(161,471)	(875,701)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,144,416	3,020,117
CASH AND CASH EQUIVALENTS, END OF YEAR	1,982,945	2,144,416
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	250	250
Cash in bank	2,384,919	3,627,897
Less: restricted portion of cash and temporary investments (Note 2)	(402,224)	(1,483,731)
	1,982,945	2,144,416

TOWN OF SEDGEWICK

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	1,205,826	1,225,628	8,297,708	10,729,162	10,202,960
Excess (deficiency) of revenues over expenses	1,639,185	-	-	1,639,185	526,202
Unrestricted funds designated for future use	(197,299)	197,299	-	-	-
Restricted funds used for tangible capital assets	-	(415,726)	415,726	-	-
Current year funds used for tangible capital assets	(2,964,180)	-	2,964,180	-	-
Annual amortization expense	370,501	-	(370,501)	-	-
Net long term debt repaid or issued	1,458,300	-	(1,458,300)	-	-
Change in accumulated surplus	306,507	(218,427)	1,551,105	1,639,185	526,202
BALANCE, END OF YEAR	1,512,333	1,007,201	9,848,813	12,368,347	10,729,162

TOWN OF SEDGEWICK

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2019	2018
COST:								
Balance - beginning of year	182,836	779,436	390,289	11,358,948	829,767	163,079	13,704,355	11,816,496
Acquisition of tangible capital assets	-	-	-	3,246,606	124,300	-	3,370,906	1,762,498
Construction in progress	-	9,000	-	-	-	-	9,000	125,361
Balance - end of year	182,836	788,436	390,289	14,605,554	954,067	163,079	17,084,261	13,704,355
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	93,320	252,952	4,485,225	474,644	100,506	5,406,647	5,096,378
Annual amortization	-	31,538	8,753	286,630	35,270	8,310	370,501	310,269
Balance - end of year	-	124,858	261,705	4,771,855	509,914	108,816	5,777,148	5,406,647
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	663,578	128,584	9,833,699	444,153	54,263	11,307,113	8,297,708
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	686,116	137,337	6,873,723	355,123	62,573	8,297,708	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 3)

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	1,071,565	1,063,895	1,055,090
Linear property taxes	21,541	17,001	15,784
Government grants in place of property taxes	1,263	1,263	1,276
	<u>1,094,369</u>	<u>1,082,159</u>	<u>1,072,150</u>
REQUISITIONS			
Alberta School Foundation	266,000	249,875	254,499
Designated Industrial Levy	129	129	52
Flagstaff Regional Housing Group	13,590	13,590	14,013
	<u>279,719</u>	<u>263,594</u>	<u>268,564</u>
NET MUNICIPAL TAXES	<u>814,650</u>	<u>818,565</u>	<u>803,586</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 4)

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Federal Government	1,000	-	800
Provincial Government	37,500	40,785	41,816
Local Governments	18,974	21,894	18,263
	<u>57,474</u>	<u>62,679</u>	<u>60,879</u>
TRANSFERS FOR CAPITAL			
Federal Government	151,308	151,308	96,267
Provincial Government	1,790,232	1,390,433	353,929
	<u>1,941,540</u>	<u>1,541,741</u>	<u>450,196</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,999,014</u>	<u>1,604,420</u>	<u>511,075</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 5)

	Budget (Unaudited)	2019	2018
Expenditures			
Salaries, wages and benefits	638,630	569,853	549,777
Contracted and general services	757,410	806,192	928,392
Purchases from other governments	6,200	3,792	3,839
Materials, goods and utilities	550,750	438,271	423,526
Provision for allowances	-	-	452
Transfers to local boards and agencies	28,240	38,252	40,655
Interest on capital long term debt	23,325	19,829	-
Other expenditures	10,100	5,428	-
Amortization of tangible capital assets	335,049	370,501	310,269
	<u>2,349,704</u>	<u>2,252,118</u>	<u>2,256,910</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas system	Total
REVENUE									
Net municipal property taxes (Schedule 2)	818,565	-	-	-	-	-	-	-	818,565
User fees and sales of goods	3,769	18,966	885	529,762	2,727	146,886	-	501,556	1,204,551
Penalties and costs on taxes	24,243	-	-	1,061	-	-	-	2,082	27,386
Licenses and permits	-	2,463	-	-	-	7,252	-	-	9,715
Franchise and concession contracts	53,941	-	-	-	-	-	-	-	53,941
Investment income	95,074	1,664	-	-	-	-	-	-	96,738
Rentals	6,742	-	-	-	-	-	-	-	6,742
Government transfers	40,785	21,894	-	-	-	-	-	-	62,679
Other	20,236	-	-	-	14,763	-	12,000	22,246	69,245
	<u>1,063,355</u>	<u>44,987</u>	<u>885</u>	<u>530,823</u>	<u>17,490</u>	<u>154,138</u>	<u>12,000</u>	<u>525,884</u>	<u>2,349,562</u>
EXPENSES									
Salaries, wages and benefits	296,371	13,765	102,649	110,014	-	-	38,473	8,581	569,853
Contracted and general services	101,924	23,363	60,777	223,811	-	209,430	60,481	126,406	806,192
Purchases from other governments	-	3,792	-	-	-	-	-	-	3,792
Materials, goods and utilities	9,927	15,802	84,827	40,838	3,234	18,828	23,792	241,023	438,271
Transfers to local boards and agencies	-	-	-	-	10,056	7,266	20,930	-	38,252
Interest on capital long term debt	-	-	19,829	-	-	-	-	-	19,829
Other expenditures	5,428	-	-	-	-	-	-	-	5,428
	<u>413,650</u>	<u>56,722</u>	<u>268,082</u>	<u>374,663</u>	<u>13,290</u>	<u>235,524</u>	<u>143,676</u>	<u>376,010</u>	<u>1,881,617</u>
NET REVENUE, BEFORE AMORTIZATION	649,705	(11,735)	(267,197)	156,160	4,200	(81,386)	(131,676)	149,874	467,945
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	1,280	8,514	166,590	151,869	-	13,024	27,082	2,142	370,501
NET REVENUE	<u>648,425</u>	<u>(20,249)</u>	<u>(433,787)</u>	<u>4,291</u>	<u>4,200</u>	<u>(94,410)</u>	<u>(158,758)</u>	<u>147,732</u>	<u>97,444</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sedgewick are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the town are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

g) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

2. CASH AND TERM DEPOSITS

	<u>2019</u>	<u>2018</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Basic Municipal Transportation Grant	-	158,340
Municipal Sustainability Initiative - Capital	399,799	1,306,491
Federal Gas Tax	2,425	8,340
	<u>402,224</u>	<u>1,473,171</u>
Included in cash and term deposits are amounts held for deposits in trust	-	10,560
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	<u>1,007,201</u>	<u>1,225,628</u>
Total restricted cash and term deposits	<u>1,409,425</u>	<u>2,709,359</u>
Total unrestricted cash and term deposits	<u>975,744</u>	<u>918,788</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	21,423	34,998
Arrears taxes	31,850	51,771
Property held by the town as a result of tax forfeiture	52,471	14,753
	<u>105,744</u>	<u>101,522</u>
Less: allowance for doubtful accounts	2,153	2,153
	<u>103,591</u>	<u>99,369</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

4. DEFERRED INCOME

Deferred income consists of the following:

	2019	2018
Prepaid property taxes	11,404	11,294
Basic Municipal Transportation Grant	-	158,340
Municipal Sustainability Initiative - Capital	607,976	1,631,892
Federal Gas Tax	102,425	153,733
	721,805	1,955,259

5. LONG TERM DEBT

	2019	2018
Alberta Capital Finance Authority	1,458,300	-

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	84,934	35,104	120,038
2021	87,021	33,017	120,038
2022	89,160	30,878	120,038
2023	91,351	28,687	120,038
2024	93,596	26,442	120,038
Thereafter	1,012,238	128,117	1,140,355
	1,458,300	282,245	1,140,355

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 2.442%, matures in 2034 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2019 were \$18,319 (2017 - \$0).

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

6. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Sedgewick be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	<u>3,524,343</u>	<u>3,499,374</u>
Total debt	<u>1,458,300</u>	<u>-</u>
Surplus debt limit	<u>2,066,043</u>	<u>3,499,374</u>
Debt servicing limit	<u>587,391</u>	<u>583,229</u>
Debt servicing	<u>120,038</u>	<u>-</u>
Surplus debt servicing	<u>467,353</u>	<u>583,229</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	<u>17,084,261</u>	<u>13,704,355</u>
Accumulated amortization (Schedule 2)	<u>(5,777,148)</u>	<u>(5,406,647)</u>
Long-term debt (Note 6)	<u>(1,458,300)</u>	<u>-</u>
	<u>9,848,813</u>	<u>8,297,708</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

8. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	<u>1,512,333</u>	<u>1,205,826</u>
Restricted surplus		
Operating		
General	87,455	136,236
Munisight	39,000	-
Recreation	<u>205,099</u>	<u>221,065</u>
	<u>331,554</u>	<u>357,301</u>
Capital reserves		
General	118,632	149,312
Fire equipment	36,089	149,615
Public works equipment	55,932	73,863
Grant interest	-	12,749
Water infrastructure and meters	129,310	261,853
Sewer system	59,928	-
Cemetery	22,273	7,000
Recreation	119,725	105,435
Natural gas	<u>133,758</u>	<u>108,500</u>
	<u>675,647</u>	<u>868,327</u>
	<u>1,007,201</u>	<u>1,225,628</u>
Equity in tangible capital assets	<u>9,848,813</u>	<u>8,297,708</u>
	<u>12,368,347</u>	<u>10,729,162</u>

9. SEGMENTED DISCLOSURE

The Town of Sedgewick provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

10. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	2019			2018
	Salary	Benefits & Allowances	Total	Total
Imlah	4,625	176	4,801	5,288
Levy	7,693	333	8,026	8,310
Robinson	11,850	441	12,291	12,713
Schmutz	7,400	318	7,718	6,206
Sparrow	6,343	254	6,597	5,495
CAO - Current	117,060	28,490	145,550	132,820
Designated Officer (2)	20,441	-	20,441	19,944

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 265,813 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP were \$31,441. Total current service contributions by the employees of the town to the LAPP were \$28,500.

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 Billion.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

12. CONTINGENCIES

The town is a member of the Jubilee/Genesis Reciprocal Insurance Exchange (JRIE/GRIE). Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

13. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2019 (2018 – nil) as a result of this standard.

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

15. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.